

# **HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA**

**REPORT TO THE COMMISSIONERS**

**DATE: OCTOBER 10, 2012**

**REGARDING: AUTHORIZING EXECUTION OF A TENTATIVE DEVELOPER STATUS FOR COVENANT CAPITAL, LLC FOR THE 699 7TH STREET PROJECT, WARD 7, DISTRICT 4.**

## **Requested Board Action**

To request the Housing and Redevelopment Authority Board of Commissioners to consider approving Covenant Capital, LLC (the “Developer”) as Tentative Developer for a 90 day period to finalize a proposal for the purchase and rehabilitation of the HRA-owned building located at 699 East 7<sup>th</sup> Street with certain conditions detailed in this report.

## **Background**

### Property

The HRA acquired the parcel located at 699 East 7<sup>th</sup> Street from the Saint Paul Police Department on January 1, 2003. The property was conveyed to the HRA at no cost and the net sale proceeds realized by the HRA upon the sale and redevelopment of the property will be transmitted to the Saint Paul’s Police Department minus HRA’s property holding costs, mold remediation costs and costs associated with disposing of the Property. At this point, the project indicates no net proceeds. The site measures approximately 90 feet by 141 feet, for a total area of 12,690 square feet. The parcel is zoned T-2 (Traditional District). Staff is aware of mold in the building. This information was forward to Covenant Capital, LLC. The property will be sold as is.

### Proposal

On May 23, 2012, the HRA received a request from Covenant Capital, LLC (whose members are Scott Zak, Benjamin Hosfield & Darin Trites) to purchase 699 East 7<sup>th</sup> Street. Covenant Capital, LLC plans are to rehabilitate the building for commercial space on the first floor and a one or two residential units on the second floor (the “Project”).

### Financing Structure

The purchase offer is in the amount of \$50,000. The Developer has requested that the HRA loan the acquisition amount to the Developer to purchase the property (the “Land Loan”). A note (the

“Land Note”) in the amount of \$50,000 would be provided to the HRA. The Land Loan will be in a first position mortgage. The details of the Land Loan term and conditions will be a part of their formal proposal.

The estimated overall development cost for the purchase and rehabilitation of 699 East 7<sup>th</sup> Street is estimated at \$340,000 and outlined in **Attachment C** - Project Summary Form and **Attachment D** – Sources and Uses Summary Funds Form.

During the tentative developer period, the Developer will need to complete the following conditions:

1. Within 90 days, for the Project, complete a formal scope of work with architectural/engineering plans and specifications to include a site plan, elevations, incorporate Green/Sustainable Development guidelines, exterior treatments/materials and interior schematics for review by HRA and suitable for submission to the Department of Safety and Inspections to obtain the proper building permits.
2. Within 90 days, for the Project, submit evidence of availability of construction financing for review by HRA staff for acceptability.
3. Finalize a detailed development budget and businesses plan for approval by the HRA staff.
4. A final and HRA approved scope of work must be completed within the 90 day tentative developer period.
5. Within 90 days receive all approvals for zoning, licenses and any other required City or State approvals required for the Project.
6. Negotiate final terms and conditions of a development agreement which will include review of all compliance requirements, details of the bidding process and sworn

construction cost statement from their selected contractor for the Project.

### Disposition Policy

Upon receiving the Developer's proposal, staff, according to the City/HRA Disposition Policy, entered this request on the City web page for public notification and to request further proposals for this property. The request for additional proposals was on the City's web page from May 23, 2012 to July 5, 2012, 2012. On May 23, 2012, staff entered this request on the early notification system for public notification. No other request was submitted for this property during that time.

### **Budget Action**

No Budget Action is necessary at this time.

### **Future Action**

Public hearing and sale of 699 East 7<sup>th</sup> Street, approval of a Development Agreement and approval of an HRA Land Loan in the amount of \$50,000 will be required from the HRA Board.

### **PED Credit Committee Review**

PED Credit Committee will review the Developer's request for full Developer Status for the property located at 699 East 7<sup>th</sup> Street project prior to the HRA action to sell the property to the Developer.

### **Compliance**

The Applicant has signed the 1<sup>st</sup> compliance letter regarding this project. The project will comply with the following programs and/or requirements: Vendor Outreach Program, Local Labor Standards, Affirmative Action, and Two Bid Policy. This project is exempt from the following: Business Subsidy based on the small business exemption; Living Wage based on the number of employees and Project Labor Agreement based on the amount of assistance.

### **Green/Sustainable Development**

The project will comply with the Saint Paul/HRA Sustainability Initiative

## **Environmental Impact Disclosure**

N/A

## **Historic Preservation**

The project will be reviewed by either HPC PED staff and/or the HPC Commission. HUD 106 review is required.

## **Public Purpose/Comprehensive Plan Conformance**

The following public purpose will be met:

1. Rehabilitation of a vacant commercial structure on East 7<sup>th</sup> Street.
2. This project will create local businesses, housing, generate private investment and support commercial activities.
3. This project meets several public purpose objectives including providing housing along a major transit corridor and historic preservation. The project also conforms to the following plans:

### **Near East Side Roadmap (draft 2012)**

This plan calls for the re-use of the building at 699 E. 7th.

### **Land Use Chapter of Comprehensive Plan (2010)**

E 7th is designated as a Mixed-Use Corridor, to which the following objectives apply: accommodating growth, supporting transit use and walking, providing a range of housing types, and providing housing at densities that support transit. (Strategy 1.21)

Strategy 1.24: Support a mix of uses on Mixed-Use Corridors

Strategy 1.24: Promote the development of more intensive housing on Mixed-Use Corridors where supported by zoning that permits mixed-use and multi-family residential development.

Strategy 1.42: Promote the development of housing in mixed-use neighborhoods that supports walking and the use of public transportation.

## **Historic Preservation Chapter of Comprehensive Plan**

Strategy 5.3.: Realize the full economic potential of key historic resources.

- Rehabilitate key historic resources to serve as a catalyst for additional development in adjacent areas;
- Integrate historic properties into new development to strengthen sense of place and provide a link between old and new.

Strategy 5.4: Invest in historic resources along transit corridors as part of a larger neighborhood revitalization and reinvestment strategy

### **Recommendation:**

The Executive Director recommends the HRA Board consider the attached resolution which approves the following actions:

1. Approval of Covenant Capital, LLC as Tentative Developer for 699 East 7<sup>th</sup> Street for a period of 90 days.
2. Authorizes the Executive Director to finalize the conditions of the Development Agreement.

**Sponsored by:** Commissioner Lantry

**Staff:** Report prepared by: Daniel K. Bayers, (266-6685)

### **Attachments**

- **Attachment A** -- Resolution
- **Attachment B** -- Map and Address of Project
- **Attachment C** -- Project Summary Form
- **Attachment D** -- Sources and Uses Summary Form
- **Attachment E** -- Public Purpose Form
- **Attachment F** -- Census Facts